



PG ELECTROPLAST LIMITED

CIN-L32109DL2003PLC119416

Corporate Office :

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October 20, 2023

To,
The Manager (Listing)
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001

To,
The Manager (Listing)
National Stock Exchange of India Limited,
Exchange Plaza,
Bandra Kurla Complex,
Bandra (East),
Mumbai - 400 051

Scrip Code: 533581

Scrip Symbol: PGEL

Sub: Credit Rating

Dear Sir/Ma'am,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are pleased to inform that CRISIL Ratings Limited on October 20, 2023, has upgraded PG Electroplast Limited's Long-Term Rating "CRISIL A-/Stable" to "**CRISIL A/Positive**". The instrument-wise assigned ratings are given below:

Facility	Amount (Rs./Crores)	Tenure	Rating
Fund based	202.00	Long Term	CRISIL A/Positive
	5.00	Short Term	CRISIL A1
Non Fund Based	103.00	Short Term	CRISIL A1
Total	310.00	Rupees Three Hundred and Ten Crore Only	

A copy of report from credit rating agency - CRISIL Ratings Limited is attached for your reference.

This is for your information and record please.

For **PG Electroplast Limited**

(Sanchay Dubey)
Company Secretary

Rating Rationale

October 20, 2023 | Mumbai

PG Electroplast Limited

Ratings upgraded to 'CRISIL A/Positive/CRISIL A1'

Rating Action

Total Bank Loan Facilities Rated	Rs.310 Crore
Long Term Rating	CRISIL A/Positive (Upgraded from 'CRISIL A-/Stable')
Short Term Rating	CRISIL A1 (Upgraded from 'CRISIL A2+')

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has upgraded its ratings on the bank loan facilities of PG Electroplast Limited (PGEL, part of the PG group) to '**CRISIL A/Positive/CRISIL A1**' from '**CRISIL A-/Stable/CRISIL A2+**'

The ratings upgrade reflects the improved market position in the products business while sustaining the healthy market position in the plastic moulding component business and CRISIL Ratings' expectation that the credit profile will continue to benefit from the improving market position, operating efficiencies and financial risk profile. The group is one of the leading contract manufacturers/vendors for air conditioners (ACs), washing machines and other plastic moulded components for white goods. It has a diversified clientele across reputed white goods brands such as Carrier Midea, Voltas, LG India, Whirlpool, Reliance Digital, Onida, Godrej and Acer. The group has reported a robust compound annual growth rate of 75% in its operating income over the two fiscals through fiscal 2023. The operating income of the group has improved to Rs. 2160 cr. in FY23 (FY22: Rs.1,113 cr.) which is better than CRISIL's expectations; the growth is driven by a continuous increase in revenue from the product business which has improved from Rs. 478 cr. in FY22 to Rs. 1341 cr. in FY23. In Q1FY24 the group has already achieved revenue of Rs. 678 cr. (improved from Rs. 537 cr. in Q1FY23). Revenue is expected to grow at a healthy pace backed by continuous addition of customers in both Original Equipment manufacturers (OEM's) and in Original Device Manufactures (ODM's) along with continuous expansion in capacities and in-house research and development. The group achieved EBITDA margins of 7.9% in FY23 supported by benefits of backward integration and increased contribution from ODM segment, wherein margins are better than in OEM segment. In Q1FY24 margins have further improved to 9.73% viz-a-viz. Q1FY23: 6.7%. Operating margins are expected to be around 8-9% over the medium term.

The group has recently raised funds to the tune of Rs. 500 crores through QIP route which is expected to significantly improve the financial risk profile of the group. The funds are expected to be utilized for debt reduction, funding expansion, and meeting working capital requirements over the medium term. With the further reduction in debt and improvement in the networth, the gearing levels are expected to further improve to below 1 time in FY24. As on Sep 2023 group has unencumbered liquid funds of more than Rs. 340 crores and with no further debt funded capex expected over the medium term, the group is expected to remain net debt free over the medium term.

The ratings reflect the group's established position in manufacturing plastic components for the consumer durable goods industry, healthy product diversity along with well-established clientele and comfortable financial risk profile. These strengths are partially offset by exposure to intense competition in the consumer electronics segment, vulnerability to cyclicity in end-user industry and large working capital requirement.

Analytical Approach

CRISIL Ratings has combined the business and financial risk profiles of PGEL and its 100% subsidiaries, PGTL and PG Plastronics Pvt Ltd (PGPPL). The entities, collectively referred to as the PG group, are under common management and in the same business and have operational and financial linkages.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation

Key Rating Drivers & Detailed Description

Strengths:

Established market position :

The group is one of the leading contract manufacturers/vendors for air conditioners (ACs), washing machines and other plastic moulding components for white goods the plastic components segment. The group supplies to various industries such as consumer electronics, sanitaryware and mobile handsets. The promoters' experience of more than 30 years in the consumer durables industry, the group's established position and their healthy relationships with customers will continue to support the business. Group is continuously increasing the revenue share in the ODM solution space which offers better operating margin; the revenue from product business has improved from Rs. 478 crores in FY22 to Rs. 1341 crores in

FY23. PGEL has the capacity to offer product development and manufacturing solutions from designing, tooling to final assembling and testing. Most of the operations are backward-integrated and the processes are carried out in-house. Backward integration gives it the flexibility to control the manufacturing processes and reduce dependence on external suppliers, which has enabled it to become a consistent and reliable ODM supplier and contract manufacturer.

Healthy product diversity and well-established clientele: The group supplies to leading brands such as LG electronics India Pvt Ltd ('CRISIL AAA/Stable/CRISIL A1+'), Whirlpool India Ltd ('CRISIL AA+/Stable/CRISIL A1+') Carrier Midea India Pvt Ltd, Voltas, Sansui, Godrej and Orient Electric Ltd. It supplies to all the leading players in the washing machine and domestic refrigeration and air conditioning (RAC) market. The group has large product portfolio manufacturing plastic parts for a comprehensive range of consumer electronic products such as air conditioners (ACs), air Coolers, refrigerators and washing machines. PGEL is one of the leading, diversified Indian manufacturing services provider and among the few companies in India specialising in ODM, OEM and plastic injection moulding for the consumer durables industry, thereby providing one stop and end to end solutions to consumer durable brands.

Comfortable financial risk profile: Capital structure remains healthy owing to moderate reliance on external funds. Total outside liabilities to adjusted networth (TOL/ANW) ratio was 2.8 times as on March 31, 2023. The group's net worth was comfortable at Rs.394 crore in fiscal 2023 on account of sustained profitability and improved scale of operations. Group has raised Rs. 500 crores through preferential allotment of equity shares at a price of Rs. 1560 with premium of Rs. 1,550 per equity share to marquee investors including Nippon MF, Tata MF, Pinebridge, HSBC Global Investors, Kotak Mahindra Life Insurance, Abakkus, etc. The QIP proceeds would be utilized for funding working capital requirements, funding capacity expansion capex and for prepayment of existing term debt. With healthy margins and continuous accretion to reserves, the net worth is expected to increase to improve further going ahead. Debt protection metrics is expected to remain comfortable with gearing expected to remain below 1 times, with interest coverage and net cash accrual to total debt ratios expected to be more than 5 times and 0.35 time, respectively, in fiscal 2024. With expected improvement in profitability, the debt protection metrics should remain strong over the medium term.

Weaknesses:

Exposure to intense competition in the consumer electronics segment:

The domestic consumer electronics market is intensely competitive on account of entry of several large players over the past few years, which has affected profitability of most players such as PGEL. Additionally, raw material price fluctuations accentuate the pressure on profitability because of the players' inability to pass on cost increases to their customers. Therefore, profitability will remain constrained for most players in the industry on account of intense competition and expectation of economies of scale benefits to be passed on to large consumer goods brands in the domestic market. However, the ODM business is expected to support profitability.

Large working capital requirement: Consolidated gross current assets were at 150-190 days in last 2 fiscals ending as on March 31, 2023. GCA days are expected to be in range of 150-170 days going forward as the majority of sales in the second half of the fiscal driven by the demand for ACs in summer. However, the working capital cycle is supported by payables of 80-100 days. Although the GCA days improved in FY23 to ~150 days due to the efficient management of inventory. The working capital requirement will remain large over the medium term considering the healthy growth prospects and ramp-up of volume in the AC segment.

Liquidity: Strong

Cash accrual of the group are expected at Rs.120-180 crore going forward which will sufficiently cover yearly debt obligation of Rs.50-70 crore. Bank limit utilisation averaged 62% for the 12 months ended June-2023. Cash balance was healthy over Rs.340 crore as of September 2023. Current ratio was 1.12 time as on March 31, 2023. Internal cash accrual, cash and equivalent, and unutilised bank lines will be sufficient to meet debt obligations and incremental working capital requirements over the medium term.

Outlook: Positive

CRISIL Ratings believes the PG group will continue to benefit from the increasing revenue share and better profitability from ODM business, along with the extensive experience of the promoters and established relationships with clients.

Rating Sensitivity Factors

Upward Factors:

- Increase in revenue of the group by more than 20-25% and stable operating margin of around 8-9 % leading to higher cash accrual.
- Improvement in the working capital cycle and financial risk profile of the group, with gearing to be maintained below 1 times.

Downward Factors:

- Large, debt-funded capex weakening the financial risk profile of the group, with gearing of more than 2 times
- Decline in net cash accrual of group below Rs.70 crore on account of fall in revenue or operating profit.

About the Company

PGEL, manufactures printed circuit board (PCB) assemblies, color fluorescent lamps (CFL) and plastic injection mouldings for LG India Ltd (LG), Videocon Industries Ltd (Videocon), Carrier Airconditioning & Refrigeration Ltd, Panasonic India Pvt. Ltd., USHA India Ltd and others. PGEL has manufacturing facilities in Roorkee (Uttarakhand), Greater Noida Three Units (Uttar Pradesh) and Pune (Maharashtra) for assembling injection-moulded plastic components.

About the Group

PGEL, set up in 2003 by Mr Promod Gupta, manufactures printed circuit board assemblies, plastic injection mouldings for major consumer durables, specialised AC components, home electricals and kitchen appliances. The company caters to

industries such as automotive components, consumer electronics mobile handsets and sanitaryware. It has facilities in Roorkee, Uttarakhand; Greater Noida, Uttar Pradesh; and Pune, Maharashtra.

Incorporated in August 2020, PGTL manufactures consumer appliances. The company is promoted by Anurag Gupta, Vishal Gupta and Vikas Gupta. It has facilities in Ahmednagar, Maharashtra.

PGPPL was incorporated in June 2021; the company manufactures consumer appliances. It is promoted by Anurag Gupta, Vishal Gupta and Vikas Gupta, and has facilities in Noida.

Key Financial Indicators (Consolidated)

As on/for the period ended March 31	Unit	2023	2022
Operating income	Rs crore	2160.79	1,113.49
Reported profit after tax	Rs crore	77.47	37.42
PAT margins	%	3.59	3.36
Adjusted Debt/Adjusted Networkth	Times	1.38	1.23
Interest coverage	Times	3.6	4.01

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity levels	Rating assigned with outlook
NA	Bank Guarantee	NA	NA	NA	12.3	NA	CRISIL A1
NA	Cash Credit	NA	NA	NA	95	NA	CRISIL A/Positive
NA	Inland/Import Letter of Credit	NA	NA	NA	90.7	NA	CRISIL A1
NA	Proposed Fund-Based Bank Limits	NA	NA	NA	39.7	NA	CRISIL A/Positive
NA	Sales Bill discounting	NA	NA	NA	5	NA	CRISIL A1
NA	Term Loan	NA	NA	Mar-24	67.3	NA	CRISIL A/Positive

Annexure - List of Entities Consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
PG Electroplast Limited	Full	Parent Entity
Pg Technoplast Private Limited	Full	100% subsidiary
PG Plastronics Pvt Ltd	Full	100% subsidiary

Annexure - Rating History for last 3 Years

Instrument	Current			2023 (History)		2022		2021		2020		Start of 2020
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	ST/LT	207.0	CRISIL A/Positive / CRISIL A1	23-01-23	CRISIL A2+ / CRISIL A-/Stable		--	24-12-21	CRISIL A2+ / CRISIL A-/Stable		--	Withdrawn (Issuer Not Cooperating)*
			--	--	--	07-12-21	CRISIL A2+ / CRISIL A-/Stable	--	--			
Non-Fund Based Facilities	ST	103.0	CRISIL A1	23-01-23	CRISIL A2+		--	24-12-21	CRISIL A2+		--	Withdrawn (Issuer Not Cooperating)*
			--	--	--	07-12-21	CRISIL A2+	--	--			

All amounts are in Rs.Cr.

* - Issuer did not cooperate; based on best-available information

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	12.3	State Bank of India	CRISIL A1
Cash Credit	60	State Bank of India	CRISIL A/Positive
Cash Credit	35	HDFC Bank Limited	CRISIL A/Positive

Inland/Import Letter of Credit	40.7	State Bank of India	CRISIL A1
Inland/Import Letter of Credit	50	HDFC Bank Limited	CRISIL A1
Proposed Fund-Based Bank Limits	39.7	Not Applicable	CRISIL A/Positive
Sales Bill Discounting	0.24	State Bank of India	CRISIL A1
Sales Bill Discounting	4.76	State Bank of India	CRISIL A1
Term Loan	50	State Bank of India	CRISIL A/Positive
Term Loan	17.3	HDFC Bank Limited	CRISIL A/Positive

Criteria Details

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[Rating criteria for manufacturing and service sector companies](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating Criteria for Consumer Durable Industry](#)

[CRISILs Criteria for rating short term debt](#)

[CRISILs Criteria for Consolidation](#)

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